

Report of the Exeter Housing Advisory Committee

May 2017



Exeter
Housing
Advisory
Committee

10 Front Street
Town of Exeter, New Hampshire 03833
www.exeternh.gov/bcc-hac

**Town of Exeter
Report of the Housing Advisory Committee**

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EXETER HOUSING ADVISORY COMMITTEE
(Established by the Board of Selectmen, February 18, 2015)

Committee Charge

There is hereby established by the Board of Selectmen an eight (8) member Housing Advisory Committee.

Members of this advisory board shall consist of the following members:

- 1 member of the Planning Board
- 1 member of the Economic Development Commission
- 1 member of the Rockingham Planning Commission
- 1 local realtor or developer
- 1 local real estate financial professional
- 2 citizens at large

A member of the Board of Selectmen shall serve on the committee ex-officio as the Selectmen's Representative. Other members shall serve three-year staggered terms. Initial appointments shall be made for 1, 2 and 3 year terms and thereafter be 3 year terms.

The Housing Advisory Committee shall provide advice to the Board of Selectmen regarding, but not limited to, the available housing and potential future housing needs for the Town of Exeter. Their duties shall analyze the following:

- Availability of housing
- Cost of housing
- New housing starts including type and number of units
- Changing community demographics reflected in various types of housing being promoted in the community by private developers
- Need for long term housing sustainability including variety of types of housing available (purchase, rent, new housing starts, etc.)

This advisory committee shall also review a number of issues including, but not limited to:

- Numbers and types of housing units
- Median costs of various types of housing
- Review of housing relief programs (Section 8, Property Tax Exemptions, etc.)
- Development of long term strategies regarding housing
- Contribute to the update of the Master Plan housing chapter
- Address relevant Town boards on housing issues in the community
- Review regional housing patterns in comparison to Exeter
- Publish an annual report on the state of housing in Exeter to be included in the Town Report
- Seek ways to advocate for current residents to invest in their own properties through available programs (such as alternative energy exemption)

Mission Statement:

The mission of this advisory committee is to identify, analyze, and develop recommendations regarding our current housing availability and our future housing needs to aid in our economic development needs and to maintain a viable, developmentally balanced community.

EXETER HOUSING ADVISORY COMMITTEE
(Appointed by the Board of Selectmen)

Committee Members

Board of Selectmen representative – *Dan Chartrand*⁺⁺
Planning Board representative - *Kathy Corson*^{**}
Economic Development Commission representative - *John Mueller*
Local Realtor or Developer - *Barry Sandberg*
Rockingham Planning Commission representative - *Cliff Sinnott*
Citizen at large representative – *Nancy Belanger*^{##} (*Chair*)
Citizen at large representative - *Tony Texeira*

Staff

Town Manager – *Russ Dean*
Town Planner – *Dave Sharples*

⁺⁺ joined Committee in April 2017 as Board of Selectmen Representative
^{**} through March 2017; awaiting Planning Board action for 2017-2018
^{##} Board of Selectmen Representative through March 2017

Glossary of Terms

ACS / American Community Survey: An ongoing statistical survey by the U.S. Census Bureau sent to approximately 3.5 million U.S. households per year to gather non personally identifiable information regarding demographics, household characteristics, income, age and other factors.

Active Adult Community: As defined in the Exeter Zoning Ordinance an active adult community is a community or living facility designed specifically for the interest of seniors age 55 and older which may include recreational amenities and support services for maintenance free living for older adults who are healthy, active and capable of living independently.

Affordability: As used in this document affordability is a measure of the ability to pay for the cost of housing relative to household income, such that no more than 30% of the household's income is used for housing cost. For home owners this includes the cost of mortgage, property taxes and insurance. For renters it includes the cost of rent and utilities.

Age Restricted Housing: Age-restricted housing refers to housing development, which may be detached or attached, and for sale or for rent, within which residents must meet an age threshold, usually age 55 and older. Age restricted housing certified under Housing for Older Persons Act (HOPA – 1995) must have one member of each household over 55 in 80 percent or more of the occupied homes.

Buildout: A term used in reference to the full utilization of all land within a zoning district by development.

Continuing Care Retirement Community: A continuing care retirement community or "CCRC" is a residential retirement community with accommodations for independent living, assisted living, and nursing home care. CCRCs provide a continuum of care allowing residents to move between levels of care as needed. Examples of CCRCs in Exeter include Riverwoods (all phases) and Langdon Place. The Town Zoning Ordinance defines CCRCs as "Elderly Congregate Health Care Facilities."

Housing Tenure: A term used by the Census to indicate whether a housing unit is owned or rented.

In-fill Development: Construction which occurs on remaining vacant or underdeveloped parcels of land that exist close to existing development.

Low Income: Family income limits established by the U.S. Housing and Urban Development (HUD) administration to determine eligibility for rental and other forms of assistance. "Low income" is defined to be 80% or less of the median family income; very low income is defined to be 50% or less of median family income. In 2016 low income for the Portsmouth-Dover FMR is \$65,700 for a family of four; low income is \$41,700 for a family of four.

Median Income: The middle point of income in a population such that half the population has higher income than that point, and half have lower.

Mixed Use: Denotes the use or the potential use of a parcel that combines more than one use, often combining residential and commercial or office uses on a single lot or single building. In urban areas this is often manifested in buildings that have commercial uses at the street level and office or residential uses in upper floors.

Multifamily Housing: As defined by state law, multifamily housing is that which contains three or more dwelling units within a single structure.

Section 8: Refers to a provision ("Section 8") of the Fair Housing Act of 1937 (as amended) which provides for the payment of housing assistance allowances (called vouchers) to landlords which are used to subsidized the cost of rent for eligible low income households. The program is funded through the US Housing and Urban Development Administration (HUD) and administered by the New Hampshire through the NH Housing Finance Authority statewide, and by local housing authorities where they exist. In Exeter the Exeter Housing Authority administers Section 8 vouchers.

Vacancy Rate: The portion of the total housing units in a defined geographic area that are unoccupied (vacant), expressed as a percentage. In US Census surveys seasonal homes are typically classified as vacant.

Workforce housing: Workforce housing is the term used to describe housing that is affordable to people in the workforce who have earnings up to the median income for the area (in Exeter's case, the Portsmouth-Rochester Fair Market Housing Area or 'FMHA' defined by HUD) in which the housing is located. The New Hampshire workforce housing law further defines this as follows

- Owned homes are affordable to a 4-person household for which income is at or below 100% of the area median income;
- Rental housing is affordable if the rent, including utilities, is at or below 60% of the area median income for a 3-person household.

Report of the Housing Advisory Committee May 2017

1. INTRODUCTION

The Board of Selectmen established the Housing Advisory Committee in 2015 for the purpose of examining the state of housing in Exeter. (See Committee Charge and Mission on page 2). Committee members were appointed in late 2015 and in 2016 began meeting in earnest to review data and publish its assessments and findings. As the town begins to look at the future, examining housing trends, needs and issues is an important step toward looking at the future Exeter. While the committee is advisory in nature and therefore is only offering a series of statements based on knowns, the town may take steps through its master plan update, the revision of zoning and land use regulations, or other means, to support actions relating to the findings of this report.

2. HOUSING DEMOGRAPHICS & TRENDS

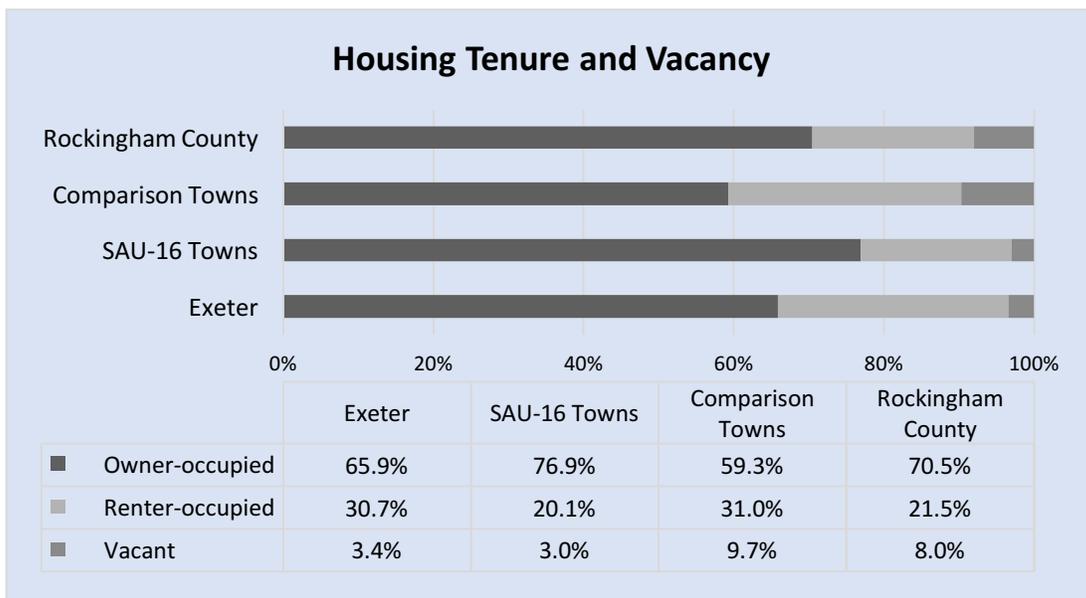
In support of the Housing Committee's research, various data sources were used to identify and review key information about basic housing demographics data and important trends. Information was obtained from the 2010 Census, the American Community Survey (ACS), 2010-2014, from the NH Office of Energy and Planning, from the NH Housing Finance Authority, the Exeter Planning Department, and other sources. Where available and when relevant, this data was also collected for surrounding communities and the county for comparison purposes. Comparison communities include seven immediately adjacent communities (Brentwood, East Kingston, Hampton, Hampton Falls, Kingston, Newfields, North Hampton and Stratham) as well as four nearby larger communities: Epping, Newmarket, Portsmouth and Dover. In this report information cited about "comparison communities" refers to values (average, median or summary values) for these communities combined. Information summarized for SAU 16 includes the communities includes data for Exeter, Stratham, Newfields, Brentwood, Kensington and East Kingston.

- **Housing Stock**

The Town of Exeter has a very diverse housing stock of nearly 6,500 units which vary in type, tenure and cost. Current data shows an inventory of approximately 6,469 units (American Community Survey (ACS), 2010-2014). Total housing has grown by about 530 units since 2000 representing a 0.6% annual growth rate, somewhat slower than the rest of Rockingham County where housing grew at about 1% per year during that period.

Tenure: Of these nearly 6,500 units, 68.2%, or 4,262, are owner occupied, with 31.8%, or 1,986 estimated as renter-occupied. Exeter has a slightly higher rate of ownership than the comparison communities which taken together has a 64.2% ownership rate but lower than the SAU-16 communities with 76.9%. The ratio of owner-to-renter occupied units in Exeter is relatively low compared to the immediate surrounding communities which typically see ownership rates of 80% or higher, but relatively high compared to Newmarket, Portsmouth and Dover which have roughly equal numbers of owner and renter units. Communities which have high numbers of multifamily units usually have a larger number of rental units in their housing mix.

Figure 1



Vacancy: According to ACS data, of all housing units only 3.4% or about 220, were indicated as vacant compared with 8.0% for Rockingham County and almost 10% for the 12 comparison communities. Among rental units, the most recent data from the NHHFA shows rental vacancy rates falling to extremely low levels of around 1%. Low vacancy rates have the effect of driving up housing prices, and this has been particularly evident in recent rental price trends affecting the Portsmouth-Dover-Rochester housing market area of which Exeter is a part. Over the past two years especially, rental prices in Exeter have risen sharply (see section below regarding housing cost and prices). Vacancy rates in a 'normal' housing market are typically closer to 5%.

Type: The diversity of Exeter's housing stock is reflected in the variety of housing types that exist here. According to the 2014 NH Office of Energy and Planning housing estimates 3129 units or about 47% are detached single family units, while 2729 or 41% are multifamily units (Figure 2). Of the remainder, 854 or about 13% are mobile homes.

Figure 2

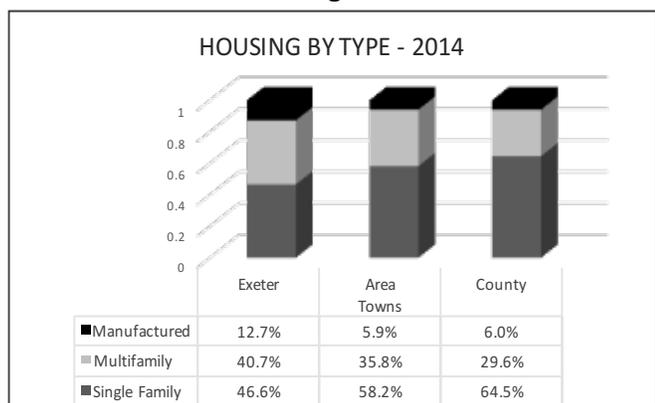
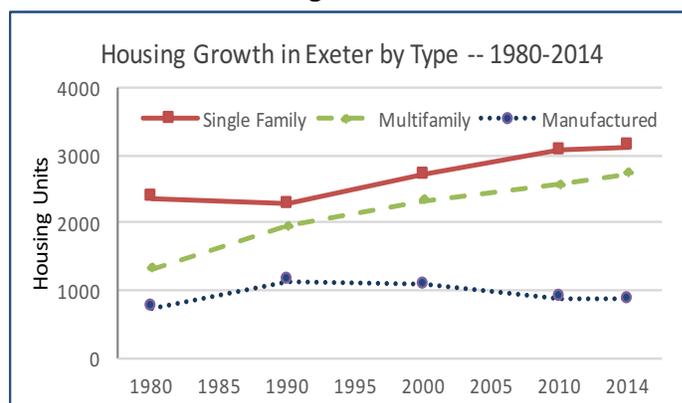


Figure 3



This contrasts markedly from the statistics in SAU 16, the comparison communities, and the County average which show a much higher proportion of single family units of 66%, 58% and 64% respectively (see chart) and a much lower percentage of mobile homes. Newmarket, Portsmouth and Dover, on the other hand, have a lower proportion of single family units, all around 40%. The older, larger, more densely developed communities in the region, the ones that were the center of more industrial rather than agricultural development, tend to have a more diverse housing mix with a larger percentage of multi-family units. Exeter stands out among all its neighbors for its relatively high number of mobile homes – at 13% it is more than twice the percentage as the region and county average. Changes in housing type from the 1990 until 2014 show a clear trend in Exeter toward an increase in the share of multifamily units, slower growth in single family units and a slow decline in the number of mobile homes (Figure 3).

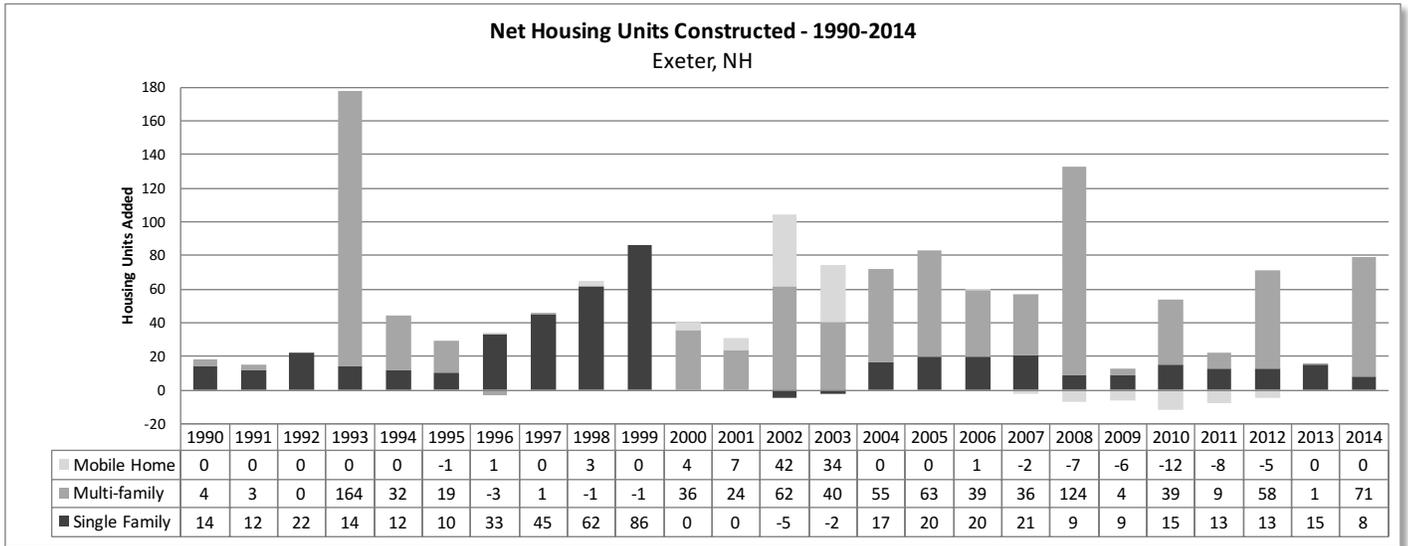
Age: Less than a quarter (22.6%) of all housing units that exist in Exeter were built before 1940, a number that is typical of the region and the State. Almost half (49.2%) the housing stock was built between 1960 and 2000. This pattern too is seen across the region and reflects the very rapid housing and population growth that took place in southern New Hampshire at that time. The housing stock in the SAU towns is even newer, with fully one-third constructed since 1990.

Home Size: As measured by the average number of bedrooms in each housing unit, Exeter's housing stock is slightly smaller in size than the average of the comparison communities. About 51% of Exeter's housing units have two bedrooms or less, while for the region that number is about 45%, and for Rockingham County, just 40%. This difference holds true for the total number of rooms as well. The median room size in Exeter is 5.3, compared to 6.0 for the comparison group and 7 for the SAU towns. In reviewing individual town differences, the pattern found in other housing trends is evident here as well. The older, larger, more dense communities have smaller units on average. Towns which grew more recently in more of a suburban pattern have larger average sizes because the average house size for new construction grew steady in the 1980s through the 2000s.

- **Recent and Permitted Construction**

In the three decades preceding 2000, a disproportionate amount of residential construction occurred in the single-family sector, whereas, according to building permit data, since 2000 a much greater share of growth has been in the multi-family sector (Figure 4). In fact, since 2000 four times the number of multifamily units have been added to the town's housing stock than single family units.

Figure 4



In the last three years, the pace of building activity has risen, especially in the multifamily sector. There have been a number of new residential developments approved for construction. Many of these projects are either under construction or near completion. These include Building #8 of Sterling Hill Lane (24 condos), 27 Chestnut Street (96 market rate apartments), 1-11 Charron Circle (13 detached condos), 2 Hampton Road (aka Windsor Crossing) (6 buildings, 30 condo units), 41-44 McKay Drive (91 apartments), 9 various new single family homes. This represents a total of 261 units of "in process" residential units with approved permits, 252 of which are multifamily units.

This recent more rapid pace of residential construction appears to be continuing. According to Planning & Building Department records as of June 2016, an additional 230 units (all multifamily and about half age-restricted) have been proposed and are in various stages of review (Figure 5). If all are eventually built, the Town will have added nearly 500 residential units to its housing stock within a three year period with over 95% being multifamily units. If all the proposed units are constructed it would mean Exeter will have slightly more multifamily than single family units (not counting mobile homes).

Recent construction (the past 5 years) fits a profile of residential development seen recently in other larger communities in New Hampshire, characterized by a growing share of multi-unit development, with relatively low bedroom count, built close to urban centers and made up of a mix of market rate and workforce affordable units. Factors driving these changes include an aging population, a market for upscale single family homes that was weakened during and after the Great Recession, and an increased demand for age-restricted, rental, and workforce housing

Figure 5
Summary of Permitted and In-Process Residential Building in Exeter
2000 through 1st Quarter, 2017

Period	Total Units	Single Family	Multifamily			Avg. nits Added/Yr.
			Total	Age Restricted	Income Restricted*	
2000-2009	793	278	515	428	35	79
2010-2014	254	71	183	144	20(?)	51
2015-2016	261	9	252	24	0 (?)	130
Proposed & In-Process (16-17)	253	23(?)	230	116**	67	126
Total	1561	381	1180	712	90	87

Source: Exeter Planning and Building Department, 2016

* Units approved under the Town's Affordable Housing Incentive Ordinance

** these units have ZBA variance approval only, which expires in October 2017

- **Age Restricted Housing**

The development of age restricted housing including Continuing Care Retirement Communities like Langdon Place and Riverwoods, and Active Adult Communities such as Sterling Hill, have been responsible for a disproportionate share of residential development since 2000. Of the roughly 1200 multifamily units constructed since 2000 we estimate that about 60% were age restricted while close to half of all housing proposed and in progress as of the close of 2016 are age-restricted. While this is partly driven by a housing market catering to an aging population, demographics and the market, Exeter appears to be attracting more than its share of such development, probably due to several factors including, the quality of the community, the healthcare and other services available, and a favorable property tax policy for qualifying elderly homeowners.

- **Housing Cost**

With regard to housing cost, the Housing Committee examined information pertaining to housing purchase price and value, to rental costs, and to the cost of housing in relation to both household income and measure of affordability. A summary of that information is presenting in the accompanying table (Figure 6).

Home Purchase Prices

Information pertaining to home value and purchase price is available from at least three types of sources: (1) self-reported, as from the Census (ACS), (2) from property values maintained for tax assessment purposes, and (3) from real estate market valuation from such sources as MLS, the New Hampshire Housing Finance Authority valuation surveys, and more recently, from web based real estate sources like Zillow. Each has advantages and disadvantages in understanding differences in value. The Census numbers, though self-reported probably provide the most consistent and comparable information from community to community over time. Tax assessment data is the most comprehensive and thorough because it covers 100% of housing units rather than just a sample. Market based surveys provide the most up to date reflection of home values and are most useful in understanding short term housing market trends.

**Figure 6
Housing Cost Information – Exeter and Comparison Communities**

Town / Area	Home Price & Value						Rental Cost			
	2010-2014 ACS Data*		2016 NHHFA Purchase Price Survey		2015 NH Dept. Revenue Admin.		2010-2014 ACS Data		NHHFA Rent Survey	
	Median Value, Owner-occupied	Exeter as % of County Avg.	Median Residential Sales Price+	Exeter as % of Count	Residential Valuation per Housing	Exeter as % of County Avg.	Median Contract Rent (\$/month)	Exeter as % of County Avg.	Median Gross Rent (\$/mon)	Exeter as % of County Avg.
Exeter	\$257,000	92%	\$295,000	102%	\$189,292	90%	\$1,156	104%	\$1,795	126%
Brentwood	\$348,500	125%	\$388,300	135%	\$288,252	138%	\$1,212	109%	NA	-
Dover	\$238,700	85%	\$230,000	80%	\$143,496	69%	\$997	89%	\$1,073	0%
East Kingston	\$324,800	116%	NA	-	\$126,693	-	\$1,567	141%	NA	-
Epping	\$214,400	77%	\$248,000	86%	\$175,143	84%	\$892	80%	\$1,096	-
Hampton	\$329,900	118%	\$300,000	104%	\$229,089	110%	\$1,137	102%	\$1,221	103%
Hampton Falls	\$428,500	153%	NA	-	\$410,211	-	\$1,348	121%	NA	-
Kensington	\$364,700	130%	NA	-	\$348,338	-	\$1,676	150%	NA	-
Kingston	\$266,200	95%	\$260,000	90%	\$213,578	102%	\$928	83%	\$1,104	109%
Newfields	\$389,800	139%	NA	-	\$369,846	-	\$1,196	107%	NA	-
Newmarket	\$266,600	95%	\$245,000	85%	\$138,156	66%	\$1,029	92%	\$1,321	0%
North Hampton	\$371,200	133%	\$482,500	168%	\$417,018	199%	\$990	89%	NA	-
Portsmouth	\$336,600	120%	\$370,000	128%	\$216,165	103%	\$1,138	102%	\$1,404	114%
Stratham	\$378,600	135%	\$380,000	132%	\$319,972	153%	\$1,444	130%	\$1,803	-
Area Total/Avg.	\$322,536	115%	\$319,880	111%	\$209,206	100%	\$1,075	96%	\$1,359	113%
Rock. County	\$279,800	100%	\$288,000	100%	\$240,299	115%	\$1,114	100%	\$1,095	100%
New Hampshire	\$237,400	85%	\$220,000	76%	NA	-	\$1,001	90%	\$987	91%

Source: 2010-2014 ACS, 2016 NHHFA Purchase Price Trends Survey and NH Dept of Revenue Administration: 2014 PROPERTY TAX TABLES BY COUNTY

*NOTE: ACS Data are average values derived from 5 year household samples and are prone to high margins of error, especially for smaller communities.

+ "NA" indicates that sample size was too small to present reliable data

- **Census Bureau American Community Survey (ACS):** In reviewing the most recent American Community Survey¹ data on home value we find that, housing values in Exeter consistently fall in the lower third of those among the twelve surrounding towns. Exeter median home value is reported at \$257,000 compared to the surrounding town median of \$294,400 and the County median of \$279,000. This is explained by several factors including Exeter’s comparatively large proportion of mobile homes in its housing mix, a smaller average home size, a somewhat older housing stock, and a larger proportion of owner occupied condominiums and multifamily units. In the comparison communities, housing value ranged from a low of \$214,000 in Epping to the high of \$428,000 in Hampton Falls.
- **Assessor Data:** The 2015 Assessors data contains approximately 5100 ownership records of residential properties, (single family, multifamily, condominiums and mobile homes) The median and average values of these units is \$245,000 and \$252,000 respectively.

¹ 2010-2014 5 Year American Community Survey (ACS) is produced by the US Census Bureau and replaces the more detailed single year household survey taken as part of the decennial Census prior to 2010. The data represents a 5 year rolling average of a smaller household survey results taken each year. The margin of error for ACS household data can be quite large in smaller communities.

While we have no comparable information for the surrounding communities or for the County we did compute the total assessed value of residential property per capita or per housing unit and compare that with other communities as a rough measure of on comparative residential values. Exeter's residential property valuation per housing unit in 2014 was about \$189,000, compared to \$209,000 for the surrounding communities. As with the median home values, this result puts Exeter in the lower third of the surrounding communities.

- *Market Surveys:* The New Hampshire Housing Finance Authority publishes an annual housing-price market assessment using MLS and other survey data. Results from the latest survey published in 2016 show the median purchase price of all homes in Exeter is \$290,000, compared to \$345,000 for the Portsmouth NH-ME "NECTA" communities (a similar grouping to our comparison communities which includes Exeter). Once again, Exeter falls in the lower third in home prices in this group. (Note that 'all homes' include existing and new single family, condominium and mobile homes.) For the County as a whole, however, Exeter's median price is higher than the average of \$288,000.

Home Rental Rates

As with purchase prices, we obtained information about rents from several sources, primarily ACS survey and the annual NHHFA rental prices survey. The 2010-2014 ACS data shows that, of the roughly 1,850 rented housing units in Exeter, the median monthly gross rent is \$1156 (Figure 6). The average for the comparison communities is \$1,075/mo. and for Rockingham County, \$1114/mo. The most recent NHHFA survey, released in Fall of this year, tells a much different story. It shows the current median gross rent in Exeter to be \$1,795/mo., extraordinarily higher than the comparison communities for which data is available, and higher than the Portsmouth NECTA median rent of \$1,359/mo. The large difference between the ACS and NHHFA estimates is partially explained by the fact that the ACS looks backwards over 5 years and so has not captured the full impact of the rapid rise in rent over the past 4 to 5 years, and partially because the NHHFA results include estimated cost of utilities, which the ACS do not. Though different in magnitude, both results show that Exeter's median rents are significantly higher than those in surrounding communities. The reason for this is not certain but is most likely a combination of lack of supply and the existence of a large number of high end rental units in places such as the Mill Apartment, the former Eventide Home apartments and others.

Even so, the substantial gap between Exeter's median rent and that of the surrounding area (which also shows up in the NHHFA rental survey) reflects a difference in average rent costs that is not supported in ACS comparisons and appears to be an anomaly. In reviewing the published survey data it is evident that the large majority of the survey responses from rental units in Exeter are clustered around just two price points, \$1750 and \$2100 which appear to be units in one or several buildings with uniformly high rents. Given this, the ACS rental data is probably more reliable in comparing Exeter's rents to other communities and it shows rents in Exeter to be about 10% higher than that of the comparison communities.

Figure 7

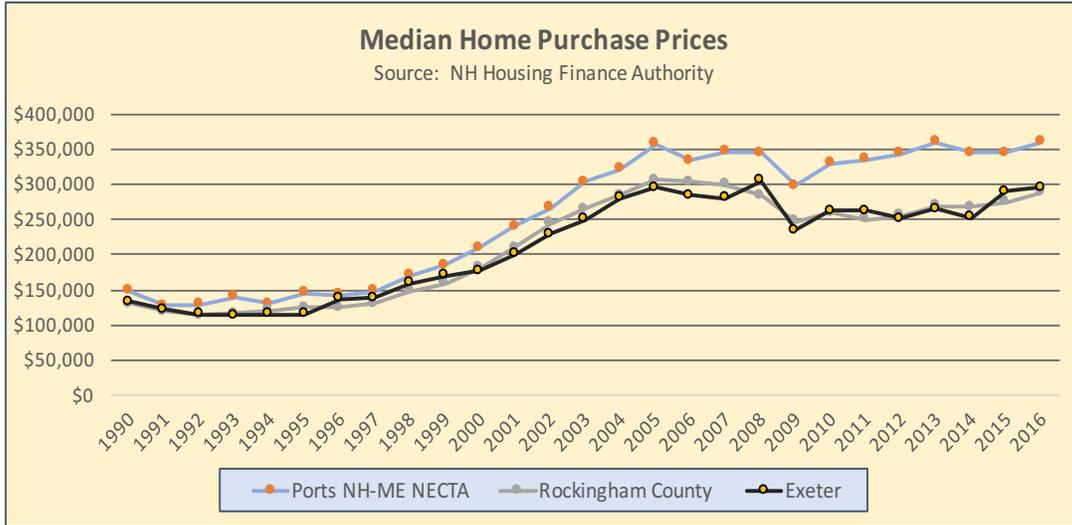
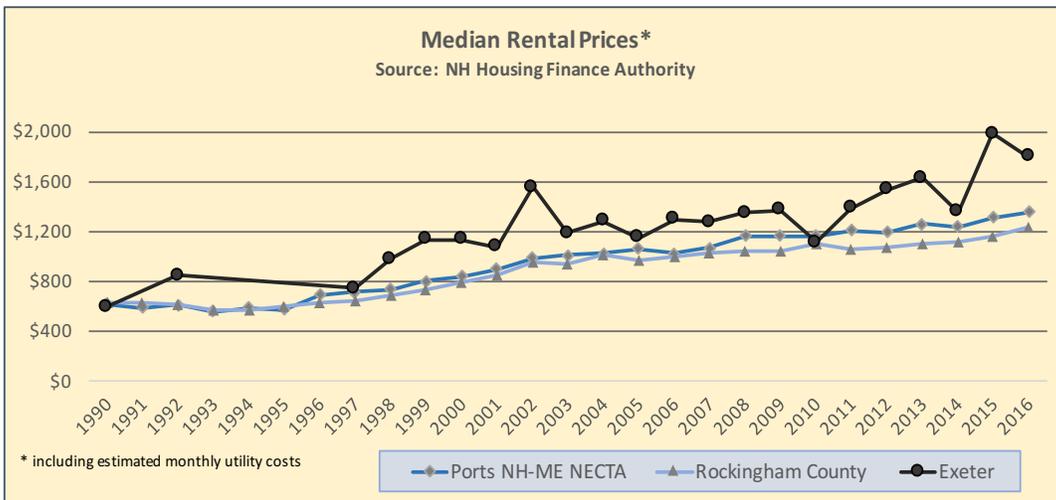


Figure 8



• **Other Housing Market Information**

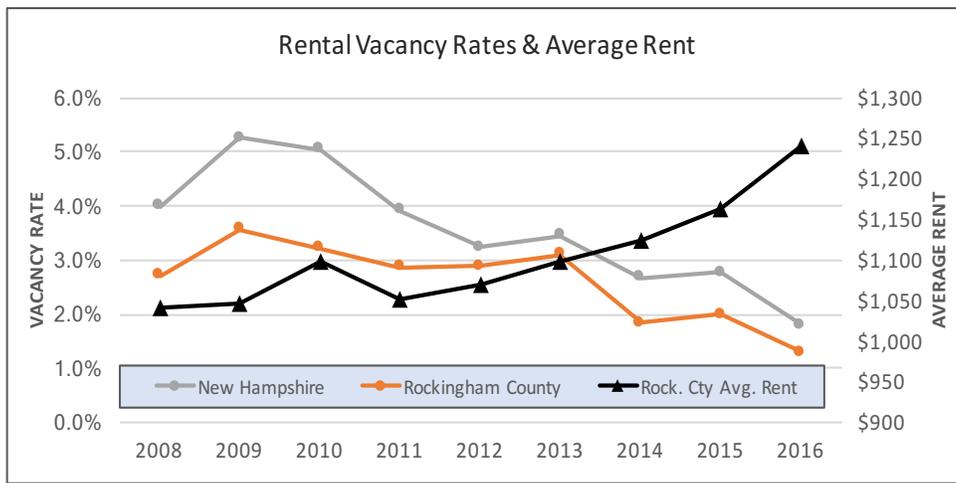
The Committee reviewed other housing market information, including sales data gathered from the Exeter Assessors office, and a variety of MLS sourced information pertaining to real estate market conditions. County level information for housing market data reviewed included number of sales, the assessed value-to-sales ratio, and average time on market. The general picture was consistent for each: the housing market has largely recovered from the Great Recession, though prices in most communities remain marginally below their pre-recession peak.

The number of sales and average selling price in Rockingham County as a whole are presently very strong. Closed sales reached an average of 5000 per year in 2015, a level not approached since 2005. This pace compares to the market low of about 3100 per year for an extended period between 2008 and 2010. Average selling prices have recovered as well. The peak average selling price was just under \$300,000 in

2005, which fell 21% to a low of 237,000 in 2011 and now has regained almost all that loss, rising to 288,000. The inventory of homes for sale and average time-on-market have tracked the housing cycle as well. The number of MLS listings peaked in early 2007 at an annual average of nearly 4000 listings. In 2015 that number had fallen to just 2600. Time on the market for homes for sale peaked in 2009 at nearly 13.5 months on average, and has since fallen to just half that time. As inventories have tightened, buyers have become more motivated, and local realtors report that prices are rising sharply.

As one final indicator of the state of the housing market, the committee reviewed the relationship between assessed value and purchase price of homes that were recently sold in Exeter. According to the Assessor’s records, 191 of the 220 homes (87%) sold through September 2016 sold for more than their assessed value.

Figure 9



In the rental market one of the most important and predictive indicators is vacancy rate. Historically, vacancy rates have tended to be lower in the Seacoast region than other parts of the state. As of 2016 they have reached an unprecedented low level in Rockingham County of 1.3%. A rate this low means that, for all practical purposes, there are no vacant rental units other than those that are in transition between occupants. As illustrated in Figure 9, there is a strong correlation between low vacancy rates and high rental costs. As long as the supply of rental units remains constrained, upward pressure on rental prices can be expected to continue, significantly affecting affordability in this sector of the housing market.

- **Household Characteristics**

Other relevant information about the makeup of households in Exeter and the comparison communities was reviewed. Unless otherwise referenced, this information is taken from the 2010-2014 American Community Survey (ACS). A summary of key points is as follows:

Household Size - In Exeter, the average household size of owner occupied housing is 2.4 persons. Renter occupied shows an average size of 1.9 persons. Exeter’s household size is smaller than in all other comparison communities except Portsmouth. The average for owner and renter units is 2.6 and 2.2 respectively.

Elderly Households — Exeter has a relatively high number of households who are headed by someone who is 65 years of age or older. Exeter has approximately 1,840 such households or 29.5% of total households, while the average among the comparison communities is only 22.4%. The State and County are 22% and 21% respectively. The only communities comparable to Exeter in the area are Hampton (28.3%), North Hampton (29.6%), and East Kingston (29.8%). This has particular relevance because of the elderly exemption, which grants certain valuation reductions based on age and income. In 2015, the town granted over 31 million dollars in elderly exemptions to 297 households.

Household Income — Household income in Exeter is slightly below the comparison communities, but slightly higher than the County average. Per capita income in Exeter was reported as \$40,310; median family income was \$96,538 and median household income was \$74,071. These values for Rockingham County as a whole were \$39,605, \$94,726 and \$79,368 respectively. (ACS, 2010-2014).

School aged children — Exeter has a smaller cohort or group of school aged children than the other communities which make up SAU 16. 19.7% of Exeter's population is in this group (ages 5-19) while the other five communities average 23.6% of their population as school aged. As of May 2017, the Exeter school system (Elementary schools and Exeter Coop) showed an enrollment total of 2,195 children in school. 1,011 of these are pre-school through grade five, 514 are between grades six and eight (Coop Middle School), and 670 attend Exeter High School. As of June 2015, there were 1,023 children in pre-school through grade 5, 516 in grades 6-8, and 665 in grades 9-12.

- **Affordability of Housing**

The term “affordable housing” can mean different things to different people. To some it is synonymous with ‘low-income housing’. That is not our meaning here. Our use is intended as a straightforward consideration of the comparative cost of housing, both owner and rental, relative to household income.

The affordability of housing has been a long-standing concern in Exeter and in many communities in the Seacoast region, dating back to the early 1990s. That is when Exeter commissioned its first housing report which focused on affordability. Concerns about affordability diminished somewhat during the Great Recession with the 15-20% decline in housing purchase prices and during a brief period of relatively stable rental prices. For many households, however, this did not translate into greater affordability because of economic stresses in wages and income, and because of tightening mortgage lending standards which occurred at the same time. In 2016 as the housing market tightens again, purchase prices have returned to pre-recession levels and rental prices have risen well beyond them. Rental rates, in particular, have risen to levels that are between 20 and 30 percent higher than they were before the recession.

Affordability of housing can be defined and measured in a number of ways. At its basis, affordability is a measure of housing costs relative to income and other living costs. The State's workforce housing law (RSA 674:58-61) defines workforce affordability in two ways: to be ‘affordable’ for home owners or purchasers, the cost of housing (including mortgage, interest, insurance and taxes) must be less than 30% of the median income of a four person household.

For rental housing, the cost of rent must no more than 60 percent of the area’s median income for a 3-person household. Income and affordability targets are updated annually by the US Housing and Urban Development Administration. For 2015, the latest estimate available in the Portsmouth-Dover Rochester NH-ME housing market, the purchase price of a home considered affordable is \$289,000 (estimated maximum price at which the monthly total cost of mortgage principal, interest, taxes and insurance are less than 30% of median household income, assuming 5% down payment, 30 year mortgage at 4.2%). The maximum affordable rent cost for this market is set at \$1,160 (estimated maximum gross monthly rental cost [rent + utilities], using 30% of income).

The ACS provides a direct measure of affordability for both owners and renters, based in monthly housing costs. In the 2010-2014 ACS 36.8% of owner-households with a mortgage paid more than 30% of their income for housing, nearly the same as the average for the comparison communities of 37% and for Rockingham County as a whole at 36.6%. These are households that, by State definition, are living in homes that are ‘unaffordable’ based on the costs of housing relative to household income. Nearly two-thirds of Exeter households with mortgages paid more than \$2000 per month in housing costs.

For renter households, those living in housing that exceeds the affordability threshold is even higher: 45.8% in Exeter, 46.9% for the comparison communities and 46.2% for Rockingham County. This is a sobering statistic, suggesting that almost half of renter households are in housing situations that are defined as unaffordable.

- **Regional Housing Needs Analysis**

Under the State’s workforce housing law (RSA 674:58-61) and its own enabling statute (RSA 36:47 II.) the Rockingham Planning Commission is required to prepare and periodically update a regional housing needs assessment (including the need for affordable and workforce housing). The RPC last updated its regional analysis in 2013 and in 2015 updated the Town’s Master Plan Housing Chapter to estimate whether Exeter was supplying it regional ‘fair share’ of the need for affordable housing. That analysis included estimates of the Town’s share of the region’s workforce housing needs as follows (based on its proportionate share of housing):

		2015		
Exeter		Need	Supply	Net
Workforce Housing		<hr/>		
	Total	3,253	4004	+751
	Owner	2,456	3209	+753
	Rental	797	795	- 2

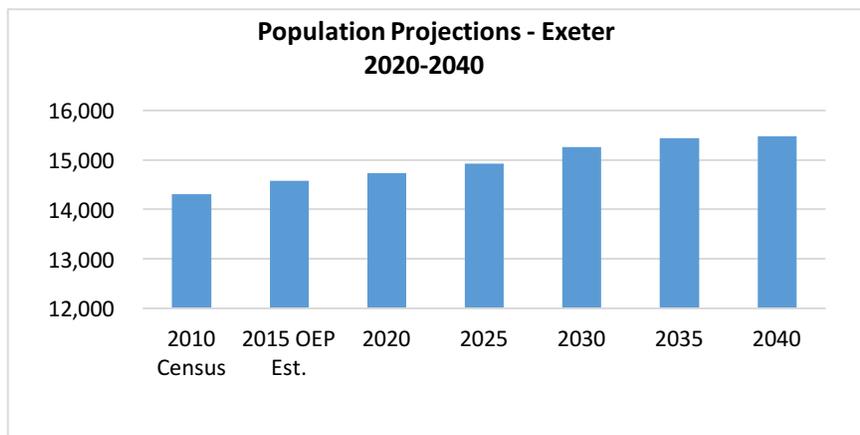
The RPC’s analysis indicated that the Town is meeting more than its share of workforce housing needs overall (and thus is not subject to the remedial requirements of the workforce housing law). This outcome is consistent with the housing data and trends discussed earlier, especially the existence of a larger number of both rental and multifamily housing in Exeter compared to the majority of towns in the region. The data also reinforces the tight supply and lower affordability of rental housing. In this category, the town had slightly fewer affordable units that are needed to meet its share (in 2015), according to the analysis. With the rise of rental prices since then, that gap has probably grown.

While the regional housing analysis assumes all communities should assume a proportionate share of the need for affordable housing, in reality, large communities like Exeter, Hampton, Newmarket, Dover and Portsmouth provide more than their share. This is due to the fact that these communities have the existing housing stock which tends to be more affordable, as well as the ability to support this kind of housing growth. This establishes a regional dynamic whereby the gap in the availability of affordable housing share tends to widen between larger communities like Exeter and smaller more rural ‘bedroom’ communities. The purpose of the state’s workforce housing law is, in part, to counter act this dynamic.

- **Population and Housing Projections**

In considering the future need for housing in Exeter it is important to assess likely future growth in population. While southeastern New Hampshire grew very rapidly in the nineteen seventies, eighties and nineties, since 2000 growth has been much more modest. The latest (2016) population projections from the NH Office of Energy and Planning suggests that that relatively low rate of growth statewide will continue for the foreseeable future (Figure 10). While the Seacoast region is projected to grow faster than other areas of the state, that annual rate is projected to be only about 0.35% and for Exeter. 0.24% from 2020 through 2040 – a comparatively low rate of growth (Figure 10).

Figure 10

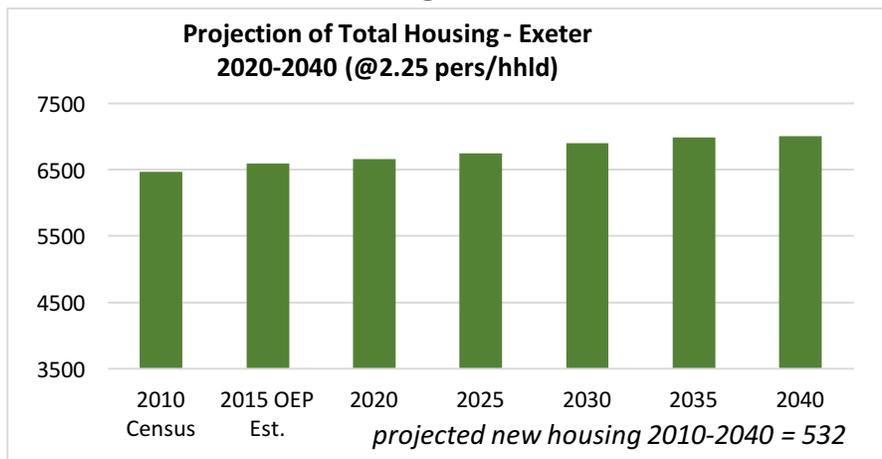


Assuming that average household size (presently 2.36 persons/household in the region and 2.25 in Exeter) remains about the same as it is today, that will mean that the underlying need for housing will also grow only modestly – by less than 500 units over the next 25 years (Figure 11). Yet that seems to be at odds with the recent increase in housing construction as enumerated here.

That is best explained by the fact that the town-level estimates in these population projections are based on the historical share of growth between all the towns in the County. Since recent history has shown a much greater share of growth occurring in the smaller, faster growing towns, Exeter gets a smaller share of the projected future growth. There is no certainty that this will continue, however, especially given the aging population. In fact we may be seeing a

reversal of those trends, wherein housing development is more rapid in the more urban communities like Exeter because the amenities they offer are a better match for current demand. A good case can be made, for example, that an older population will favor growth in larger communities like Exeter with its better access to services. If that is the case these projections will likely underestimate housing needs in Exeter.

Figure 11

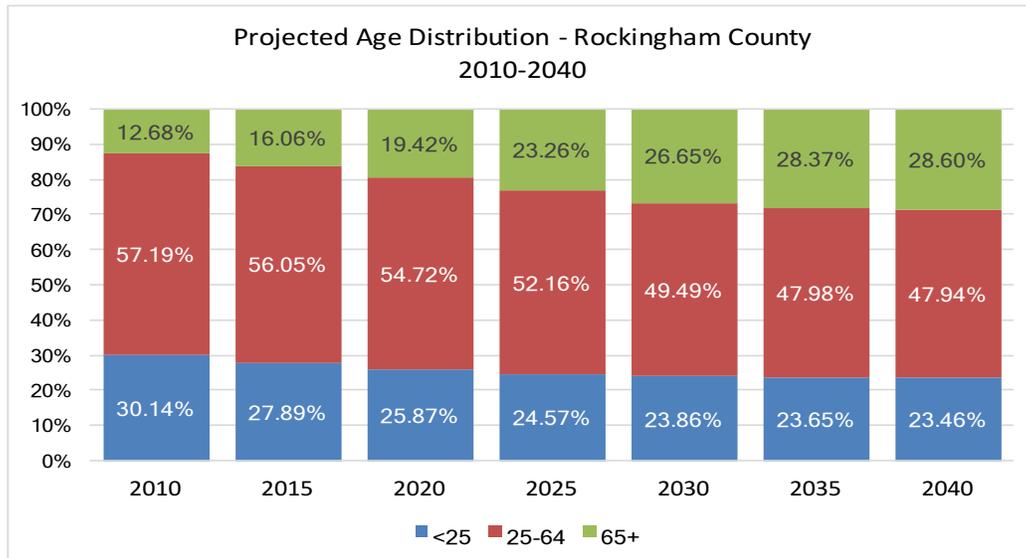


- **Aging Population**

As important as population projections are to consider future housing, so too are the well documented trends in aging in Exeter, Rockingham County and nationwide. As depicted in Figure 12, in Rockingham County, the number of people over 65 years will more than double as a percentage of the population between 2010 and 2040, while those under age 25 as a percentage will decline by 22%. The middle group, age 25-64, which is responsible for most new household formation, will decline by about 15%. These trends are exhibited in Exeter and the surrounding SAU16 communities as well, and will have differential impacts on the demand for services for both young and old population groups. As shown in Figure 13, however, the demographic shift in Exeter is projected to be a little less dramatic than compared to the region and the SAU-16 communities. The age projections indicate that Exeter will see comparatively smaller shifts in age groups as a percentage of population than the surrounding towns, especially in the youngest and oldest groups. It should be noted that these projections assume that migration patterns of the recent past (2000-2010) continue through 2040. The targeting of age-restricted housing will have the effect of boosting the in-migration of older populations which won't be reflected in these projections.

With respect to housing demand, one can conclude that there will be significant additional demand for housing types and options that cater to older residents, while demand for housing for the middle-aged group will be relatively stagnant. This, of course, has other wider implications for the region which are summarized in the 2015 update of the Rockingham Planning Commission's Regional Master Plan. (See following excerpt.) As is pointed out in that plan, other factors may change this outcome, such as in-migration of younger families. This, in turn, will largely depend on the economic health of the region and the appeal of the Town as a good place to live for younger families

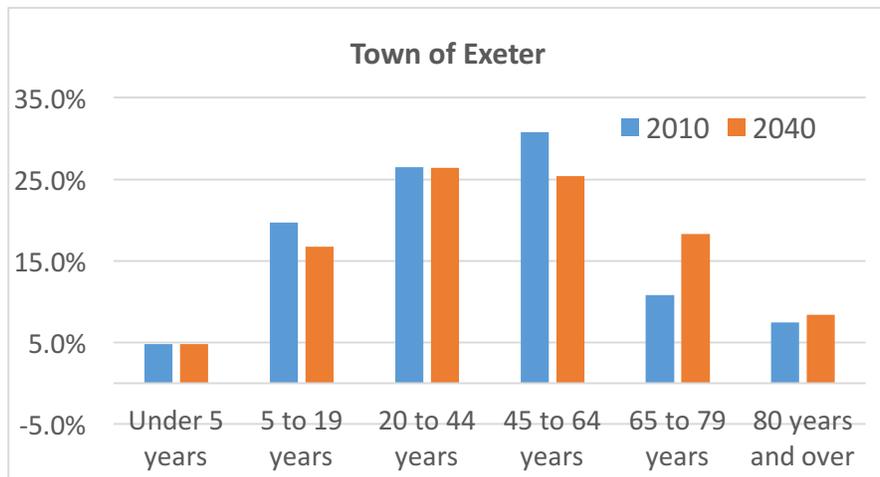
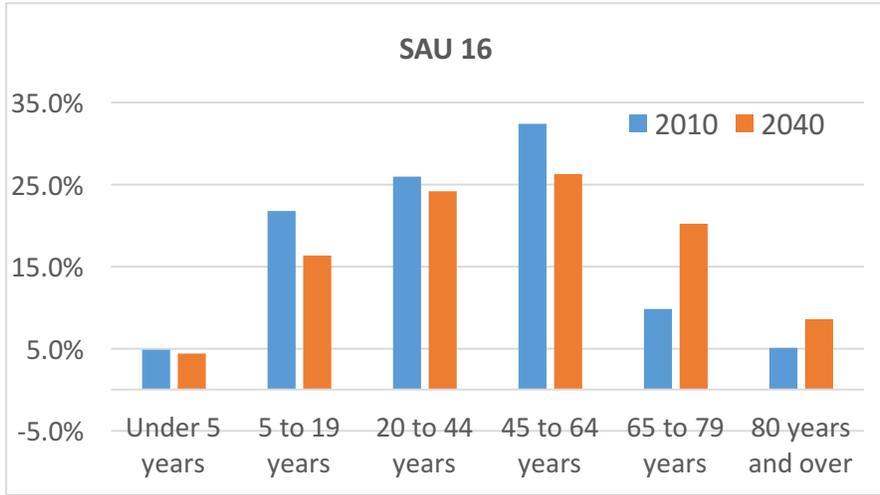
Figure 12



**Excerpt from 2015 Regional Master Plan, Rockingham Planning Commission
(Economic Development Chapter)**

Compared to the U.S. average, Rockingham County has a significantly smaller number of people younger than 35, a significantly larger number between the ages of 45 and 64, and close to the average older than 65. This unbalanced age distribution has consequences to the region's economy over time. For the present, the age distribution is economically favorable because we have a bulge in the age segments where workforce participation, wages and household income are at their peak. As this large cohort ages, it becomes less favorable with a number consequential effects on the region's economy, some positive, but most negative. A shrinking school aged population will likely mean higher education costs per student (since fixed costs won't change significantly) or school closures and reduced staff. A decline in the 45-64 age group would likely mean a loss of household income and spending since they both peak with this age group. The rapid rise in people over 65 will mean expanded need for services catering to seniors such as healthcare, home services which will create business opportunities, but also higher per capita health care expenditures, less demand for housing, especially larger houses, property tax losses from senior exemptions and a smaller workforce. These are trends, not yet outcomes. Other factors, such as delayed retirement for some seniors and an effective economic development strategy that results in an increase in the in-migration of younger people, may intervene to mitigate these trends.

Figure 13
Population by Age Cohort - 2010 & 2040
RPC Region, SAU-16 and Town of Exeter



3. KEY ISSUES AND FINDINGS

Based on the information presented above as well as additional information provided by the Exeter Planning Department, and members of the Housing Advisory Committee, we make the following findings relating to the availability, cost, affordability, need and development of housing in Exeter:

Availability of housing by type

- Exeter has a very diverse housing supply, much more than its neighboring communities.
- Exeter provides a high percentage of rental housing compared to its neighbors.
- There has been a growing demand for higher density housing in and around Exeter's downtown over the past 30 years. Most of this new housing has been in the form of multifamily construction and renovation of older buildings (e.g. 27 & 31 Chestnut St., Squamscott Block and earlier, The Mill apartments, and the Front Street Tower). One beneficial effect of this trend can be to create a more vibrant and economically viable downtown.
- Since 2000, nearly three times as many multifamily units have been constructed in Exeter than single family units. This has helped preserve overall affordability in Exeter compared to the surrounding communities. More than half of the new multifamily units are age restricted and between 5% and 10% are income restricted (including workforce housing).
- The lower rate of construction of single family homes compared to other types of construction (condos, market rate apartments) has recently led to a tightening of supply and an increase in prices, especially in the past year.
- Lower rates of single family construction over the past decade likely reflect a lag in the construction of these homes following the economic recovery. We can expect an increase in single family construction demand over the next several years, however that will be constrained by current zoning and the limited availability of suitable land.
- Mobile homes, an affordable alternative for home ownership are comparatively numerous in Exeter but are slowly declining in number.
- An historically low vacancy rate for rental housing in Exeter (less than 2%) indicates that a shortage exists today for this type of housing.
- Improved accessibility to the Boston job market due to the Downeaster and I-95 commuter bus services may drive an increased demand for higher priced housing in Exeter.
- The enactment of the State Accessory Dwelling Unit (ADU) mandate (RSA 674:72-73), which takes effect in June 2017, will help stimulate the development of such units in pre-existing housing throughout the region. Although many communities in the region, including Exeter, already allowed ADUs (often permitted as 'in-law' apartments) before this law was passed, the effect of the law will encourage the addition of ADUs to the housing stock and expand the supply of affordable housing both in Exeter and the region.

- The region's aging population can be expected to drive an increase in demand for accessory dwelling units as the elderly seek affordable ways to stay in their homes or share housing with extended family.

Cost and affordability of housing

- Based on an updated workforce housing analysis conducted by the Rockingham Planning Commission (RPC) in 2016, Exeter continues to provide more than its fair share of workforce housing compared to the region. In large measure this is due to the Town's greater diversity of housing stock, including more multifamily condominium and rental units as a percentage of the overall housing stock.
- Fair market rent in the Portsmouth-Rochester Fair Market Rent Area (FMR) in 2016 was defined by income limits as \$1,107 for a 2-bedroom unit. This compares closely to the 2014 ACS reported median rent for Exeter of \$1,147. (The NHHFA rental price survey for 2016 reported a much higher median rent for Exeter (\$1795), however this was determined to be a result of sampling error in the survey.)
- Regionally and locally there is a significant unmet need for housing options for low and moderate income households. According to recent Census data for the RPC region, over 45% of all rental households and 27% of all owner households pay more than 30% of their gross income on housing, thus exceeding the threshold considered as 'affordable.'
- Exeter presently supplies more of the region's need for affordable and workforce housing than do the surrounding towns. Part of this disparity is justified because Exeter is an employment center and derives economic benefit from that development. Exeter is also better able to support the kinds of higher density housing that can be more affordable than low density single family housing. Nevertheless, Exeter likely bears a disproportionate cost for providing affordable housing opportunities.
- Rental households have a higher proportion of low and moderate income than owner occupied units. Approximately 55% of rental households in Exeter are classified as low income (defined by HUD as households with 80% or less than the median income), and 42% are classified as very low income (households with 50% or less than the median). For owner occupied households, approximately 35% are low income and 24% are very low income. Similar differences are found in the County as a whole.
- Exeter has many rental units that exceed median rental prices for the Town and region. This is likely due to a concentration of higher end rental units in converted Mill and newer buildings near the downtown, along with a lack of supply.
- Rental housing prices are accelerating at a rate that is outpacing inflation both regionally and in Exeter which will reduce overall housing affordability. The historically low rental vacancy rates reported in recent NHHFA rental surveys indicates that the rental market is highly constrained, placing upward pressure on rental costs.
- The property tax exemption program for residents 65 and over in age makes homes more affordable for approximately 300 elderly households, in comparison to property tax payers paying on 100% of the value of the home. (See below for further discussion)

Housing stock vs. community needs and market demand

- By a ratio of more than three to one, the large majority of new residential units constructed in the past 15 years have been multifamily units, and the majority of those are age-restricted.
- Despite the number of multifamily rental units constructed recently, the rental vacancy rate remains extremely low (less than 2%), indicating that there is additional unmet demand.
- Nearly 120 new multifamily housing units are in the planning or permitting process. If these or others are built they will further help to address this demand, although the overall cost of new housing is still likely to remain significant.
- Several housing developments constructed in this period have included units targeted at workforce and low to moderate income households, including the Squamscott Block (Water Street), Watson Woods (off Watson Road), and the Meeting Place (off Epping Road).
- The growth of age restricted housing is in part a response to a rapidly growing component of the population over 65, which is expected to grow from 18% of the Town's population in 2010 to 27% by 2040. Most of this change is from natural aging, however the availability of this type of housing has also attracted an in-migration of older residents, boosting that age group of the population above that of the regional average, which was just under 15% in 2010.
- Age restricted housing has varying effects on the cost of community services and property taxes, and economic activity per household. For example, age restricted housing does not add to school-aged population but may add to the demand for health related emergency services.

School Enrollment and Housing

- The growth in the number of housing units, including numerous multifamily units, in Exeter over the past 15 years has not resulted in the disproportionate enrollment of additional school aged children.
- No discernable link is found in the past decade between housing growth and school enrollment growth. This is partially due to the large number of age restricted housing that has been built over the past 15 years.
- Over the past 10 years, Exeter's elementary school enrollment has remained flat while the other SAU 16 communities have seen significant declines, ranging from 11% to 50%.
- Based on the age cohorts in the State's latest population projections, the school aged population (age 5 to 19) share of total population is expected to fall from 19.7% in 2010 to 16.7% in 2040, representing a loss of about 145 students. The loss projected in the other SAU 16 towns is even greater, totaling an additional 660 people of student age.
- According to SAU-16 enrollment projections, the Middle and High School combined enrollment will fall by about 345 students or 11% between 2017 and 2022, with the

bulk of the decline seen in the Cooperative Middle where enrollment is projected to decline by 18%. Meanwhile Exeter's share of enrollment is projected to grow from 39% to 42% over this period because age cohort groups are more balanced in Exeter than in the other communities. The projected overall decline in enrollment suggests that an in-flux of children from additional housing growth in the region would not result in capacity constraints in SAU facilities in the near-to-medium term.

- A declining school enrollment could mean that school facilities are underutilized, assuming current trends continue, and will provide additional ability for residential growth without impacting school capacity limits. The Cooperative Middle School is an exception to this as it was built with relatively little reserve capacity.

Buildout and zoning impact on development potential

- Based on the result of a generalized residential buildout analysis (not parcel-specific) it appears that certain residential zones have very limited remaining potential for new development, particularly multifamily development.
- Future single family, large lot development will be constrained by the quality of the remaining undevelopable land in Exeter, the general cost of buildable land, and the distance that land is from the Town center.
- Nearly one-third (33%) of Exeter's land area is set aside as conservation land (one out of every three acres is in a form of conservation). This will limit opportunities for residential growth in areas featuring large tracts of open space.
- Additional opportunities for single family 'small lot' residential in-fill development could be created by reducing lot size requirements in some residential zones.
- The town's open space development zoning ordinance as currently written may see little use in the future because there are fewer and fewer applicable developable parcels remain that can trigger the ordinance.
- It is unknown what effect, if any, impact fees are having on the rate of residential growth, the choice of housing (senior versus market rate) or cost of new construction in the town.
- Additional single family residential growth in the R-1 and R-2 zoning districts are constrained by the availability of vacant land and lot size (density) requirements. Under existing zoning requirements, housing unit growth in these districts will be largely limited to infill development, including additions of accessory dwelling units.
- Multifamily development is permitted by right or by special exception in all residential districts except in the RU district. In the current favorable market conditions for multifamily development, this may create a disproportionate opportunity for multifamily vs single family development.

Utilization and impact of housing related programs (Section 8 rental subsidies, Property tax exemptions, alternative energy tax credit)

- The Exeter Housing Authority offers two programs in which lower income individuals and families may apply for rent subsidy: Public Housing and the Section 8 Existing

Housing Program. These programs are very important to maintain affordable housing opportunities to lower income residents.

- The Exeter Housing Authority maintains 169 (as of 2016) ‘Section 8’ housing vouchers providing rent subsidies for income-eligible tenants of private rental units in Exeter.
- There are presently 339 individuals on the waiting list for housing, representing between a waiting time of between 12 and 24 months.
- The Exeter Housing Authority owns and maintains 107 units of public housing available to the elderly (62 years of age or older), disabled, and families with special needs. 85 of these units are for elderly and disabled residents, and 22 are for families.
- As indicated above, the Town provides property tax exemptions for senior citizens in approximately 300 elderly households. The subsidies range from 60% to 100% of the property tax bill depending on age. As a result the assessed valuation of the community is reduced annually by approximately \$30M which approximates \$800,000 in lost revenue made up by all others.
- With a rapidly growing number of elderly-headed households, the community needs to be mindful of the potential for the cost of the elderly exemption program to grow substantially in the future and as a result shift additional tax burden onto non-elderly households.
- The granting of variances from zoning ordinance use restrictions has resulted in over 200 units of approved housing units over 5 years.

Impact of Housing Mix on Property Taxes

- Due to the wide range of housing and values, property tax bills will vary widely within the wide strata of existing residential units.
- The cost of services for particular types of development cannot be easily ascertained, as it includes multiple variables which can only be measured over time.

4. RECOMMENDATIONS

Based on our analysis of existing housing conditions, current trends and projected needs, the Exeter Housing Committee makes the following recommendations for consideration by the Town:

1. The Housing Advisory Committee report should be transmitted to the Master Plan Committee for consideration in the preparation of the current Master Plan Update.
2. The Committee should continue to meet and report on the state of housing in the town on an ongoing basis to update trends and findings outlined in this report intended to support policy making decisions by the Town.
3. The Town should perform a realistic assessment of housing growth for the near term (next five years) and long term (10-20 years) based on expected population growth and current zoning conditions. This should be done in concert with a parcel-level buildout analysis of each residential zoning districts to determine the realistic potential for further housing development by type.

4. The Master Plan should further examine the cost of current housing, evaluate how those costs may continue to rise under existing conditions, and examine opportunities the Town may have to help moderate housing costs.
5. Zoning ordinances should be reviewed to ensure that adequate and desirable forms of residential growth is encouraged while maintaining a balance of housing types within the town's housing stock. Specifically, the Planning Board should undertake a comprehensive residential zoning review, including the following:
 - Review the appropriateness of allowing multifamily housing development by special exception in all parts of the R-1 district, especially in areas distant from existing infrastructure.
 - Evaluate open space / conservation ordinance triggering limits to determine if they are preventing the realistic application of ordinance given remaining development opportunities of this type.
 - Review the density and other incentives established by the affordable housing ordinance to determine if they are sufficient to encourage this form of mixed market and workforce-affordable housing development, and if insufficient, consider alternatives.
 - Evaluate residential zoning lot size requirements in single family residential zones and their impact on the construction of smaller and more affordable single family homes.
6. The impact of the Town's property tax exemption programs, including the elderly, alternative energy and downtown rehabilitation (RSA 79E) exemptions, should be quantified and monitored annually. Projections of impact should be developed to anticipate the effects of demographic and other trends. The programs should be periodically re-examined and calibrated to ensure fairness principles are being applied evenly across residential property types.
7. The Planning Board should consider opportunities and incentives to encourage residential infill development, especially in the R-1 and R-2 districts, as a means to expand the supply of smaller and more affordable single family, duplex housing types in existing residential neighborhoods. The Board should also monitor changes in the accessory dwelling unit building activity with the change in the ADU ordinance and consider taking steps to raise awareness about this housing option to homeowners as needed.
8. As part of the Master Plan update of the Town should examine the balance of single and multifamily housing including an analysis of the opportunities for additional development of each under existing zoning and land use policy.
9. Using the Master Plan as a basis, the Town should develop a comprehensive housing strategy, including zoning and other policy actions, to ensure that an appropriate housing stock, both in type and affordability, will exist to meet the needs of a vibrant, diverse and growing community.
10. The Town should work with the Rockingham Planning Commission and Workforce Housing Coalition of the Greater Seacoast as a means to cooperatively engage with surrounding communities about the equitable sharing of affordable housing responsibility in the region. Models of cooperation from other states and regions that have utilized regional housing summits, compacts or memorandums of understanding within a region to set shared affordable housing goals and targets should be explored and applied here as appropriate.